

VZCZCXRO5399
RR RUEHMRE RUEHSR
DE RUEHFR #2127 3250803
ZNR UUUUU ZZH
R 200803Z NOV 08
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 4889
RUEHRC/USDA FAS WASHDC
INFO RUEHXQ/ALL EUROPEAN UNION POST
RUEHMRE/AMCONSUL MARSEILLE 2045
RUEHSR/AMCONSUL STRASBOURG 0623
RUEHGV/USMISSION GENEVA 2968
RUEHBS/AMEMBASSY BRUSSELS 6855

UNCLAS PARIS 002127

SIPDIS

BRUSSELS PASS USEU FOR AGMINCOUNSELOR
STATE PASS USTR FOR MURPHY;
USDA/OS/SCHAFER/CONNER;
USDA/FAS FOR OA/YOST/JACKSON/ROSADO;
OCRA/SALMON/SEIDBAND;
ONA/RIEMENSCHNEIDER/YOUNG/DENNIS;
OFSO/YOUNG;
EU POSTS PASS TO AGRICULTURE AND ECON
GENEVA FOR USTR, ALSO AGRICULTURE

E.O. 12958: N/A

TAGS: [EAGR](#) [ETRD](#) [PGOV](#) [EUN](#) [FR](#)

SUBJECT: FRENCH GOVERNMENT PROMISES FINANCIAL PACKAGE TO ADDRESS
FARMER DISCONTENT

¶1. Summary: Following large-scale farmer demonstrations throughout France on November 7, the French Minister of Agriculture proposed a 250 million euro financial assistance package for the French farm sector. The package encompasses a wide range of programs, including direct payments to the French sheep industry, tax rebates and incentives to lower energy consumption on farms. Initial farm-sector reactions were less than enthusiastic particularly in view of the credit crunch in conjunction with generally lower farm prices. End summary.

¶2. FNSEA, the main French farm union, initiated widespread demonstrations and blockades across France on November 7th to protest rising production costs and falling revenues. More than 10,000 farmers participated in the demonstrations.

¶3. The Ministry of Agriculture projects that the average French farmer's income will drop by 8 to 15 percent in 2008, driven by higher production costs and lower or stable farm commodity prices. Since 2006, energy prices have risen by 30 percent, fertilizer prices by 25 percent and feed prices by 15 percent; grain and oilseed prices have dropped by 20 percent while animal product prices have remained stable or seen marginal increases, and fruits and vegetable prices have risen but on smaller harvests.

¶4. In 2008, the revenue for grain farmers is expected to fall 25 to 35 percent (still 10 percent higher than in 1997, due to sharp price hikes in 2007); fruit farmers' income will continue to decline (10 percent lower following a 20 percent decline in 2007); and cattle farmers will lose 20 to 30 percent of their income. Sheep farmers will be the hardest hit, with income projected at 30 percent below the average for French farmers. On the other hand, poultry and pork farmers will have stable or higher income in 2008, driven by higher commodity prices.

¶5. The Ministry of Agriculture (MinAg) financial assistance proposal targets the bulk of its measures at the vulnerable sheep industry. While implementation details remain scarce, the intention is to provide 25 million Euros from its unused EU direct payments portfolio, supplemented with 25 million Euros from the French budget, to augment sheep farmers' income which has been negatively impacted by falling prices and Blue Tongue Disease. The MinAg is keen to support the sheep industry because sheep are primarily raised in sparsely populated, rural areas, where the Ministry does not want to lose farmers.

¶16. Other producers will be eligible for a variety of benefits, including, social security tax rebates, favorable government subsidized loan rates at private banks, and beginning farmers will have their social tax exemption extended for an additional year. The projected total cost for these measures is 79 million Euros.

¶17. The MinAg further guaranteed that farmers will continue to benefit from a partial excise tax reduction on energy (namely diesel oil) and added a new program to pay for up to 10,000 on-farm audits to propose energy saving techniques. The government will also subsidize energy saving investments and equipment which produce on-farm energy, such as solar heating. Total cost for these measures is estimated at 75 million Euros.

¶18. Initial farmer reaction to the MinAg proposals was not enthusiastic. Sheep farmers, who continue to demonstrate, are demanding an additional 160 million Euros and a doubling of the EU ewe premium to 27 euro per head. FNSEA, the main French farmers union responded that the MinAg proposal was well below their expectations.

¶19. Note: due to the global financial crisis, arable crop farmers who benefitted from higher commodity prices and incomes in 2007, and who used these profits to purchase new equipment, are finding it difficult to meet these payments and to obtain short term credit for daily operations. We expect farmer discontent related to financial pressures to continue in the coming months.

STAPLETON